

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 92-391-E - ORDER NO. 92-611  
JULY 29, 1992

IN RE: Application of South Carolina	)	
Generating Company, Inc. to Enter	)	
Into a Note Agreement to Refinance	)	
an Expiring Credit Agreement and to	)	ORDER GRANTING
Finance Additional Costs of	)	APPLICATION
Construction Expenditures and of	)	
South Carolina Electric & Gas	)	
Company to Enter Into Agreements	)	
Supporting the Transaction.	)	

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Application of South Carolina Generating Company, Inc. (GENCO), and South Carolina Electric & Gas Company (SCE&G), herein referred to collectively as Applicants, pursuant to S.C. Code Ann. §58-27-1710 (1976, as amended), for power and authority for GENCO to enter into a Note Agreement with The Prudential Insurance Company of America, or a subsidiary or affiliate thereof, (Prudential), in the principal amount of Seventy-eight Million Five Hundred Thousand Dollars (\$78,500,000) to refinance the \$63,500,000 principal amount outstanding under the Credit Agreement dated as of December 31, 1984, between Citibank, N.A. and SCE&G (assumed by GENCO) (the Citibank Agreement), which will expire on December 31, 1992, and to

finance the cost of additional construction expenditures in the amount of \$15,000,000 and for SCE&G to enter into agreements supporting the transaction.

## FINDINGS OF FACT

### II. BUSINESS

#### A. GENCO.

GENCO is an electrical utility operating in the State of South Carolina, owning and operating the Williams Electric Generating Station at Bushy Park in Berkeley County, South Carolina, and furnishing electric power exclusively to SCE&G.

#### B. SCE&G.

SCE&G is an electrical utility operating in the State of South Carolina, serving the central, southern and southwestern portions of the State with electric service, and the Cities of Columbia and Charleston, South Carolina, and their respective environs with passenger bus service, and it also furnishes natural gas service to the cities of Columbia and Charleston, South Carolina, their respective environs and to other communities and certain industrial customers.

### III. THE PRIOR TRANSACTION

When Williams Station was converted to coal-fired operation in 1984 (the Conversion), SCE&G transferred Williams Station to GENCO in order to finance the costs of the Conversion in a manner beneficial to SCE&G's customers. SCE&G entered into an Operating Agreement (the Operating Agreement) for operation of Williams Station and agreed to purchase its electrical output under a Unit

Power Sales Agreement (the Unit Power Sales Agreement) based on costs of service and approved by the Federal Energy Regulatory Commission (the FERC). At that time, long term rates for permanent financing were close to historical high levels, and SCE&G arranged the financing under the Citibank Agreement, expiring December 31, 1992, to enable it and GENCO to obtain the benefit of a variety of short term market based rates until long term rates became more attractive. In Docket No. 86-31-E, the Commission authorized GENCO to assume the Citibank Agreement and the Note issued under it. The principal amount currently outstanding under the Citibank Agreement is \$63,500,000.

#### IV. ADDITIONAL CONSTRUCTION EXPENDITURES

GENCO proposes to borrow from Prudential under the Note Agreement an additional \$15,000,000 principal amount to be used for (a) repayment to SCANA of cash advances for the costs of construction expenditures incurred at Williams Station; and (b) costs of construction incurred and to be incurred at Williams Station.

#### V. STRUCTURE OF THE TRANSACTION

The proposed transaction is intended to provide permanent financing for the costs of the Conversion and the construction costs described above over the remaining service life of Williams Station. The structure of the transaction would be similar to the structure of the Citibank Agreement and would maintain approximately the same relationships among SCE&G, GENCO, SCANA and the lender (Prudential) as currently found under the Citibank

Agreement.

A. Note Agreement and Notes.

Applicants have negotiated a proposed twenty-year Note Agreement (the Note Agreement) maturing December 31, 2011, providing for the Note(s), due December 31, 2011 (the Note(s)) issued thereunder to bear an interest rate of 7.88%, which is approximately 88 basis points above the yield of the U.S. Treasury Note which most closely approximates the average life of the Note(s) (i.e., 10.5 years), with quarterly interest payments and annual amortization of the principal amount and a final payment due December 31, 2011, in amounts to be negotiated by GENCO.

B. The Mortgage and Security Agreement.

To secure its obligations under the Note Agreement and the Note, GENCO would give Prudential a Mortgage and Security Agreement (the Mortgage and Security Agreement) on the operating properties for Williams Station.

C. The Inducement Letter.

In recognition of the fact that SCE&G would benefit from the long term financing of Williams Station, which SCE&G operates for GENCO under the Operating Agreement and from which SCE&G purchases all of its electric power output through a Unit Power Agreement, SCE&G would enter into an Inducement Letter (the Inducement Letter) with Prudential stating, among other things, that it will maintain for the term of the Notes the Unit Power Agreement and the Operating Agreement.

D. The Title Indemnity Agreement.

SCE&G would enter into a Title Indemnity Agreement (the Title Agreement) that essentially provides to Prudential directly the benefit of SCE&G's existing obligations under its General Warranty Deed of Conveyance of 1984 by which it transferred Williams Station to GENCO.

E. The Subordination Agreement.

SCANA Corporation (SCANA), parent corporation of both SCE&G and GENCO, which is the primary source of cash for GENCO's construction, fuel inventory and O&M requirements for Williams Station, would enter into a Subordination Agreement providing that in certain instances the indebtedness of GENCO to SCANA would be subordinated to GENCO's obligations and indebtedness to Prudential under the Note Agreement and the outstanding Note(s). There is no indebtedness of GENCO to SCE&G.

F. SCANA Guarantee.

SCANA also would enter into a Guarantee Agreement (the Guarantee Agreement), guaranteeing the obligations of GENCO to the holders of the Notes.

VI. COMPLIANCE WITH ORDER NO. 91-72

In compliance with the provisions of Order No. 91-72 dated January 18, 1991, Docket No. 91-032-E, Applicant has submitted financial statements and information required by the Order.

CONCLUSIONS OF LAW

1. GENCO should be authorized to negotiate the terms of and to enter into a Note Agreement and Note(s), similar to Exhibit A-1 to the Application, with such changes the Applicants deem advisable, in the principal amount of Seventy-eight Million Five Hundred Thousand Dollars (\$78,500,000) with the interest rates described herein and selected by GENCO, providing for annual reduction of the principal amount of indebtedness payable on December 31 of each year and a final amount payable on December 31, 2011, in amounts negotiated by GENCO.

2. Each of the Applicants should be authorized and empowered from time to time to negotiate the terms of and to enter into the transaction documents described herein and similar authorized transactions and to make such changes as the Applicants deem advisable in the instruments filed as exhibits to the Application, including, but not limited to, financial statements and terms of and changes in the dates of the documents described herein, and authorize Applicants from time to time to negotiate and enter into any other related or supplemental agreements as are reasonably necessary to consummate the transactions described herein or similar authorized transactions, or hereafter to maintain or preserve such transactions. Applicants propose to file with the Commission conformed copies of the instruments, including those delivered by SCANA Corporation, in the final form in which they are executed.

3. Approval of this Application does not bind the Commission as to the ratemaking treatment of this issuance.

4. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

5. The Note Agreement amount as proposed is reasonably necessary for the purpose for which it is to be issued as described above, and the character of same.

6. The financial condition of the Applicants is shown by financial statements attached to the Application, and by other records of the Commission relating to the Applicants.

IT IS THEREFORE ORDERED:

1. That the Applicants are hereby authorized to negotiate and carry out the terms of the transactions as described above.

2. Approval of this Application does not bind the Commission as to the ratemaking treatment of this issuance.


3. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

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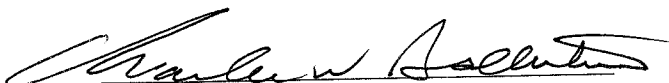
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4. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)